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**MOODY'S DOWNGRADES SOLUTIA'S SENIOR IMPLIED RATING TO B2 BECAUSE OF ON-GOING LIQUIDITY CONCERNS**

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**MOODY'S DOWNGRADES SOLUTIA'S SENIOR IMPLIED RATING TO B2 BECAUSE OF ON-GOING LIQUIDITY CONCERNS - RATINGS REMAIN UNDER REVIEW FOR FURTHER DOWNGRADE.**

Approximately \$1.2 Billion of Debt Securities Affected.

**Moody's Investors Service**

**Moody's** Investors Service downgraded the senior implied rating of **Solutia** Inc. to B2 from Ba2 and the issuer rating to B3 from Ba3. In addition, **Moody's** lowered **Solutia's** ratings on the senior unsecured notes and debentures to B3 from Ba3, the senior secured notes to B2 from Ba2, and secured credit facility to B1 from Ba1. These downgrades reflect **Solutia's** deteriorating liquidity position as the maturity date of its existing \$800 million credit facility approaches. All of the aforementioned ratings remain under review for potential downgrade pending the resolution of the credit facility refinancing. These downgrades do not reflect concerns over the future financial performance of the company's businesses.

Ratings downgraded and remaining under review:

**Solutia** Inc. - secured credit facility to B1 from Ba1 senior implied rating to B2 from Ba2; senior unsecured notes and debentures to B3 from Ba3; universal shelf (senior unsecured to (P)B3 from (P)Ba3).

**Solutia** Europe SA/NV - guaranteed senior unsecured Euro notes to B3 from Ba3.

**Solutia** Funding Corp. - senior secured notes to (P)B2 from (P)Ba2

**Moody's** revised B2 senior implied rating for **Solutia** reflects concerns that the company and its bank group have not reached an agreement to refinance the credit facility and term out additional debt. The current facility matures on August 13, 2002, but the refinancing must be in place by August 9, 2002 in order to avoid the loss of funds received from the \$223 million secured note offering. **Solutia** received less than \$200 million from this offering, which was less than the company had anticipated. **Moody's** is uncertain as to why the credit facility has not been refinanced; the continuing delay raises concern over the company's ability to refinance the facility within the next four weeks and the potential for disruption in **Solutia's** operating performance, if this issue is unresolved. **Solutia's** had roughly \$450 million outstanding under its \$800 million credit facility at the end of the first quarter.

If the credit facility is refinanced, **Moody's** believes that the company's near-term financial performance should improve versus 2001 and that second quarter results will reflect increased demand in most businesses and especially in the company's Integrated Nylon segment. **Moody's** anticipates that the company's full year financial performance should result in cash flow from operations as a percent of total debt in the range of 12-14%, and free cash flow of roughly \$50 million. **Moody's** also believes that there will be a modest improvement in 2003 as the US economy slowly recovers. In addition, if the US dollar remains at or below current levels, **Solutia** should experience a moderate increase in earnings and cash flow versus **Moody's** current projections.

Headquartered in St. Louis Missouri, **Solutia** Inc. is an integrated chemical and fibers company with primary business positions in nylon-based products, intermediates, acrylic fibers, Saflex brand protective glass, coating additives and resins, and industrial fluids and lubricants. **Solutia** reported sales of \$2.8 billion in 2001.

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